



## Report Documentation Page

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# **A Changing Marketplace**



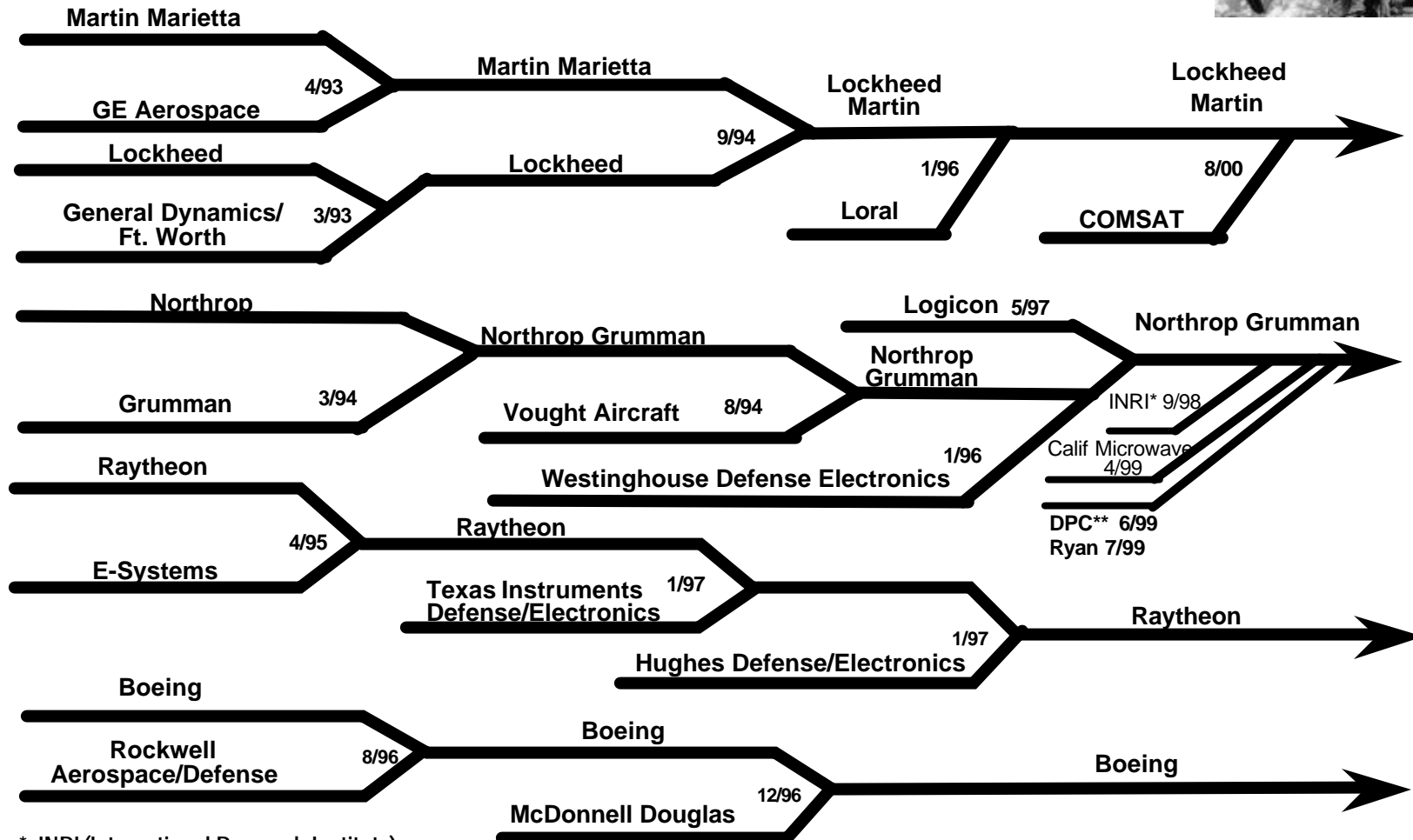
- **International acquisitions, mergers and partnerships are changing the landscape of the defense marketplace**
- **U.S. defense skilled workforce attrition is expected to reach crisis level in 2007**
- **Challenges and opportunities are greater than ever**

# **The Industry Landscape**



- **U.S. defense budget is flat**
- **International armament market is large, but competition is very intense**
- **Aerospace/defense companies' financial condition has improved, but high-growth commercial business continues to draw resources away**
- **Industry consolidation continues in U.S. and Europe, but with a distinct global character**

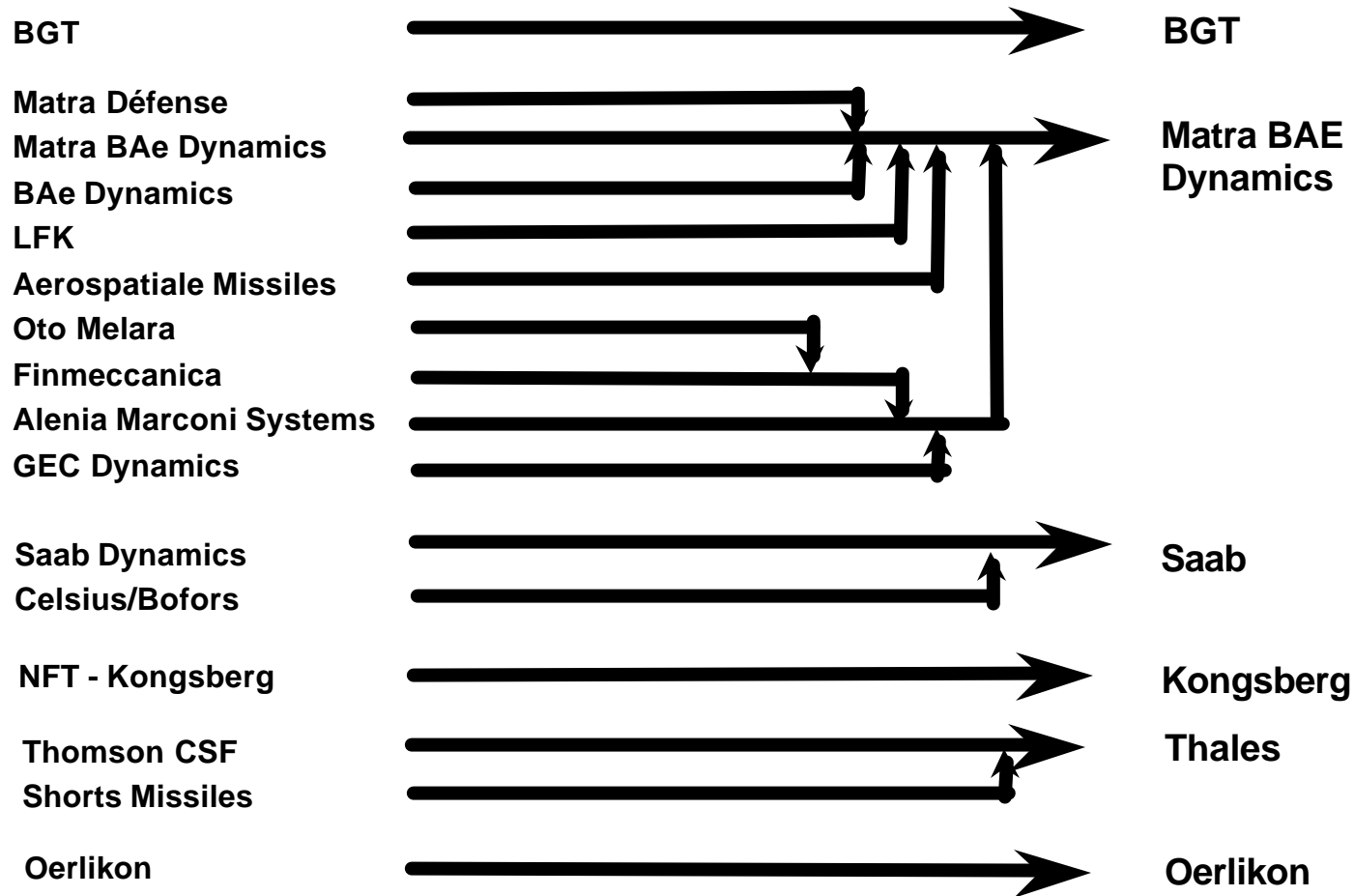
# U.S. Industry Consolidation



\* INRI (International Research Institute)

\*\* DPC (Data Procurement Corp.)

# European Missile Consolidation



# **A Changing Marketplace**



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# **U.S. Government/Industry**

## **Common Challenges**

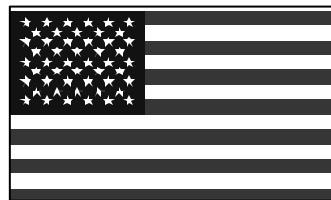


### **Government**

- **Decreasing S&T \$\$\$**
- **Workforce downsizing**
- **Workforce aging**
- **Over facilitization**
- **Decreasing competition**

### **Industry**

- **Decreasing IR&D**
- **Consolidation**
- **Workforce aging**
- **Over facilitization**
- **Diminishing military suppliers**



# **A Changing Marketplace**



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# **Challenges in the Global Defense Market**



- **Protecting corporate technologies as alliances expand**
- **Tighter export control regulations**
- **Offset requirements/in-house work reduced**
- **Resistance within companies due to job security**
- **Keeping investors open-minded to global opportunities**
- **Repeated qualifications cost money and time**

# **Repeated Qualifications**



- **To sell products internationally that are already in production for U.S. DoD:**
  - **Often must qualify components to buying country's standards even if components/systems are:**
    - **A better design than contract requires**
    - **Already qualified to high standards through U.S. testing**
- **Repeated qualifications cost money and time**
  - **Qualification to U.S. standards could be a 2 1/2 year exercise**

# **Opportunities in the Global Defense Market**



- **Market growth/business expansion**
- **Economic benefits to U.S. taxpayers, industry and defense**
- **Potential for long-term relationships with international industry partners**
- **Potential increased pool of skilled workers**
- **Potential for upgrades to flow back to U.S. customers**
- **Solutions/alternatives for DMS challenges**

# **Regional Market Penetration**

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## **Year 2000**



	<b>% of Company Sales</b>	
	<b>Domestic</b>	<b>International</b>
Boeing	65	35
Lockheed	70	30
Raytheon	70	30
EADS	36	64
BAE SYSTEMS	30	70
Thales	64	36

# Fighter Aircraft Market Domination



 Fielded F-16s

# Fighter Aircraft Market Domination



 Fielded F-16s

 Fielded Mirages

 Combined F-16s and Mirages

# **Opportunities in the Global Defense Market**

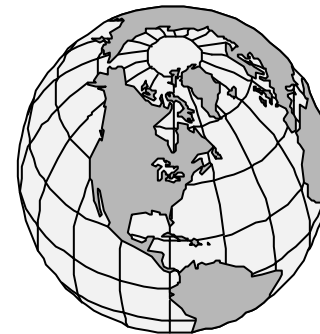


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# **International Sales**



- **Each billion \$ of international sales equals 22,000 U.S. jobs**
- **Potential 10 - 20% savings in U.S. spare parts**
- **Larger production runs lead to lower weapons/equipment costs**
- **Promotes cross-servicing, mutual support and cooperation when conflicts arise**



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# **Conclusion**



**The global defense marketplace is here to stay  
and presents industry with a challenge  
for every opportunity**

